

# Dallas-Fort Worth Multifamily

## Job Growth Gains Momentum, Fueling Renter Demand

### Highlights

- > Many of the trends in the Dallas-Fort Worth multifamily market that prevailed in 2018 carried over to the first quarter of this year. Employers accelerated their pace of payroll growth, fueling demand for apartments. Construction of new units remained active.
- > Employment growth in Dallas-Fort Worth accelerated in the 12-month period ending in the first quarter, with 105,900 net new jobs added, a 2.9 percent gain.
- > Rents are on the rise, advancing 4.4 percent in the past 12 months to \$1,131 per month at the end of the first quarter.
- > Investment activity has been very consistent in recent quarters. Sales activity during the first quarter closely tracked levels from one year earlier. The median price and average cap rates were similar to figures from 2018.

### Dallas-Fort Worth Multifamily Market Overview

Conditions were mixed in the Dallas-Fort Worth multifamily market during the first quarter. The market's strong demand drivers remained in effect, with employers rapidly expanding payrolls. The pace of local employment growth gained momentum in the first quarter, with the current rate of expansion hitting a two-year high. Developers are responding to the Metroplex's persistently strong renter demand by continuing to bring projects through the construction pipeline. Approximately 6,000 apartment units were delivered during the first quarter, which was slightly slower than the pace of deliveries recorded in 2018. The construction resulted in a modest vacancy increase during the first quarter, but the rate is forecast to inch lower in the coming quarters. Renter demand for apartment units has remained strong, and the second and third quarters are typically periods of robust leasing activity and absorption.

### Market Indicators

Quarterly Changes	1Q/2019
Vacancy .....	↑
Rents .....	↑
Transaction Activity.....	↓
Price Per Unit.....	→
Cap Rates.....	→

### Summary Statistics Dallas-Fort Worth Market

Vacancy Rate.....	<b>5.8%</b>
- Change from 1Q 2018 (bps).....	<b>+20</b>
Asking Rents (per month).....	<b>\$1,131</b>
- Change from 1Q 2018.....	<b>+4.4%</b>
Median Sales Price (Per unit YTD)*.....	<b>\$109,300</b>
Average Cap Rate (YTD)*.....	<b>5.4%</b>

\* In transactions where pricing is available

## Dallas-Fort Worth Multifamily Market Overview (cont.)

The local multifamily investment market showcased a great deal of consistency during the first quarter. Transaction activity was nearly identical to levels from the same period one year earlier, although there was a modest slowdown in velocity from the end of preceding quarter. In transactions where pricing was available, the median price of nearly

\$110,000 per unit closely tracked the median price from 2018, while approximately 25 percent of the sales activity occurred at more than \$175,000 per unit. Cap rates averaged approximately 5.4 percent, similar to the combined average from the past two years.

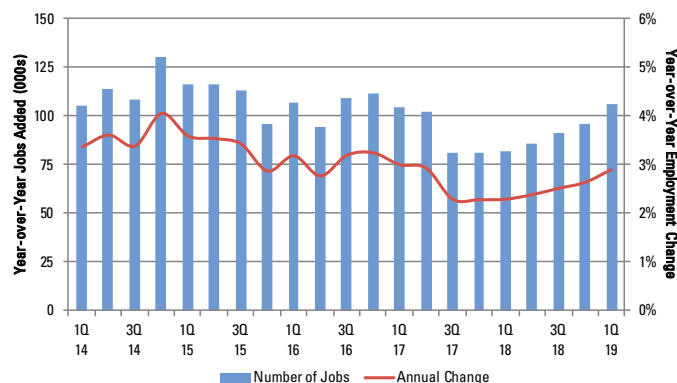
## Submarket Statistics

Submarket Name	1Q 2019 Vacancy	1Q 2018 Vacancy	Annual Vacancy Change (BPS)	1Q 2019 Rents	4Q 2018 Rents
South Irving	4.1%	4.3%	(20)	\$942	\$905
Northeast Fort Worth/N Richland Hills	4.2%	5.4%	(120)	\$1,099	\$1,049
Southern Dallas County	4.4%	4.7%	(30)	\$1,024	\$986
Denton	4.7%	5.0%	(30)	\$1,047	\$985
Northwest Dallas	4.7%	3.0%	170	\$952	\$889
Southwest Dallas	4.8%	4.0%	80	\$892	\$828
Las Colinas/Coppell	5.0%	5.7%	(70)	\$1,325	\$1,273
Hurst/Euless/Bedford	5.2%	4.8%	40	\$1,040	\$998
Garland	5.2%	4.2%	100	\$1,021	\$946
Addison/Bent Tree	5.3%	5.0%	30	\$1,178	\$1,173
Grand Prairie	5.3%	5.1%	20	\$1,067	\$1,014
East Dallas	5.5%	6.3%	(80)	\$1,314	\$1,238
Central Arlington	5.5%	4.6%	90	\$947	\$915
Mesquite	5.5%	4.6%	90	\$957	\$937
West Plano	5.6%	5.7%	(10)	\$1,253	\$1,241
Far North Dallas	5.7%	5.7%	-	\$1,013	\$985
Far East Dallas	5.7%	5.8%	(10)	\$910	\$858
Richardson	5.8%	5.8%	-	\$1,286	\$1,226
Southeast Dallas	5.8%	6.0%	(20)	\$830	\$785
Lewisville/Flower Mound	5.9%	5.4%	50	\$1,142	\$1,099
Central/East Plano	5.9%	6.4%	(50)	\$1,209	\$1,176
Carrollton/Farmers Branch	6.0%	5.7%	30	\$1,114	\$1,091
Southwest Fort Worth	6.2%	5.3%	90	\$923	\$897
North Oak Cliff/West Dallas	6.3%	7.4%	(110)	\$1,131	\$1,051
North Irving	6.3%	5.4%	90	\$1,066	\$1,017
Oak Lawn/Park Cities	6.4%	7.0%	(60)	\$1,574	\$1,518
North Arlington	6.5%	6.3%	20	\$944	\$933
Intown Dallas	6.7%	6.3%	40	\$1,722	\$1,676
Allen/McKinney	6.8%	7.1%	(30)	\$1,169	\$1,149
The Colony/Far North Carrollton	6.8%	6.0%	80	\$1,297	\$1,292
East Fort Worth	7.1%	6.5%	60	\$870	\$846
Northeast Dallas	7.2%	6.4%	80	\$966	\$913
North Dallas	7.2%	7.4%	(20)	\$1,082	\$1,074
Frisco	7.5%	7.3%	20	\$1,293	\$1,262
Intown Fort Worth/University	7.9%	7.9%	-	\$1,372	\$1,258

## Employment

- > Employment in Dallas-Fort Worth continues to expand at a robust pace, including an acceleration in the first quarter. During the 12-month period ending in the first quarter, total employment grew by 2.9 percent with the addition of 105,900 net new jobs.
- > The professional and business services sector highlights the robust pace of expansion in the local economy. Year over year, this sector has gained 26,800 employees, a 4.4 percent expansion.
- > One of the largest employers in Fort Worth is in expansion mode. Lockheed Martin has added 3,000 employees in Fort Worth during the last two years and the company is on pace to expand its local workforce to more than 20,000 employees in the coming years.
- > **Forecast:** Employers in Dallas-Fort Worth are on pace to expand payrolls by approximately 2.7 percent in 2019, adding 100,000 workers.

## Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

*Year over year, the professional and business services sector posted a 4.4 percent expansion*

## Vacancy

- > Vacancy in the combined Dallas-Fort Worth area rose 30 basis points in the first quarter, reaching 5.8 percent. The rate is up just 20 basis points from one year ago. Much of the modest rise is being recorded in newer units; vacancy rates in 1990s- and 1980s-vintage units has remained essentially flat.
- > Vacancy in the Metroplex has remained in a fairly tight range during the past few years. The quarterly rate has averaged 5.1 percent since the beginning of 2015.
- > The vacancy rates in the Dallas-Plano-Irving section of the market and the Fort Worth-Arlington region were nearly identical as of the first quarter, checking in at 5.8 percent and 5.7 percent, respectively.
- > **Forecast:** The vacancy rate is forecast to end the year at 5.7 percent, which would be an increase of 20 basis points from the year-end 2018 figure but would represent a modest dip from the current figure.

## Vacancy Trends



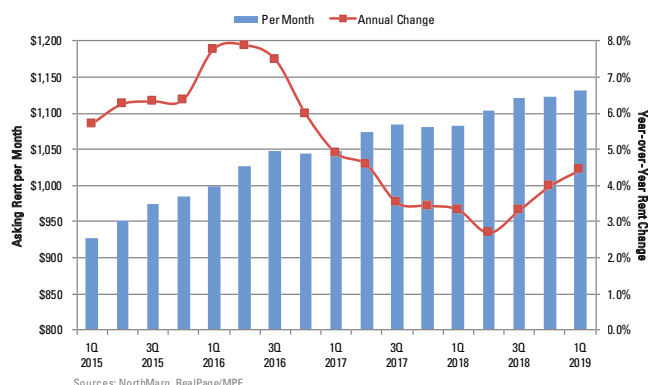
Sources: NorthMarq, RealPage/MPPF

*Much of the modest rise in vacancy is being recorded in newer units*

## Rents

- > The pace of rent growth accelerated in the first quarter. Asking rents rose 4.4 percent year over year, reaching \$1,131 per month. Last year at this time, rents had increased 3.3 percent.
- > Rents in the Dallas-Plano-Irving region rose to \$1,162 per month in the first quarter, up 4.3 percent from one year earlier.
- > Rents in Fort Worth-Arlington are generally lower than in the neighboring Dallas-Plano-Irving area, but they have risen at a slightly faster rate. Rents in the Fort Worth area rose to \$1,037 per month in the first quarter, a 4.7 percent annual increase.
- > **Forecast:** Rents are on pace to push higher throughout the remainder of this year. Average rents in Dallas-Fort Worth are forecast to increase 3 percent in 2019, reaching \$1,157 per month.

## Rent Trends

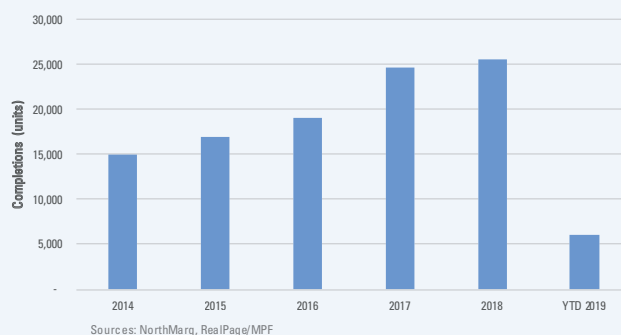


*Asking rents rose 4.4 percent year over year, reaching \$1,131 per month*

## Development and Permitting

- > The pace of deliveries slowed during the first quarter, with approximately 6,000 units coming online, down from the more than 6,500 units that were completed in the fourth quarter of last year. Completions in the first quarter were down 2 percent when compared to the same period in 2018.
- > Projects totaling approximately 25,000 units were under construction as of the first quarter, down approximately 10 percent from year-end 2018.
- > Developers pulled permits for approximately 5,300 multifamily units during the first quarter, down slightly from the first-quarter 2018 total. Since accelerating in 2015, the number of multifamily permits issued has maintained a consistent pace, but a bit of a slowdown is likely in the second half of this year.
- > **Forecast:** Developers are scheduled to deliver approximately 22,000 apartment units in Dallas-Fort Worth in 2019, down nearly 15 percent from the average annual completions from the past two years.

## Development Trends

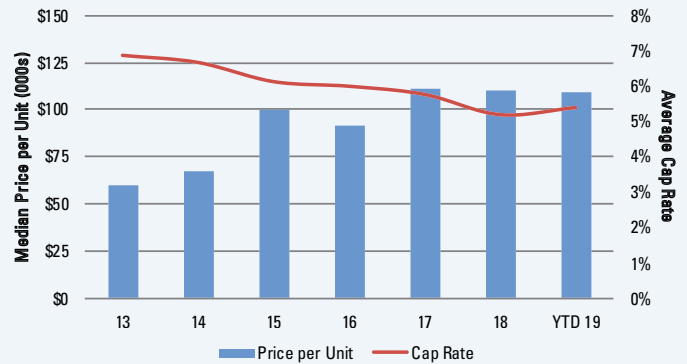


*Projects totaling approximately 25,000 units were under construction as of the first quarter*

## Multifamily Sales

- > Sales activity during the first quarter was down 11 percent from levels at the end of last year. The number of properties that sold in the first quarter was nearly identical to the transaction count from the same period one year earlier.
- > In transactions where sale prices are available, the median price during the first quarter of approximately \$109,300 per unit was nearly identical to the 2018 median price. Approximately 25 percent of first-quarter sales where pricing was available closed at more than \$175,000 per unit.
- > Cap rates averaged approximately 5.4 percent in transactions where cap rates were reported during the first quarter, similar to the average from 2018.

## Investment Trends



*Approximately 25 percent of first-quarter sales where pricing was available closed at more than \$175,000 per unit*

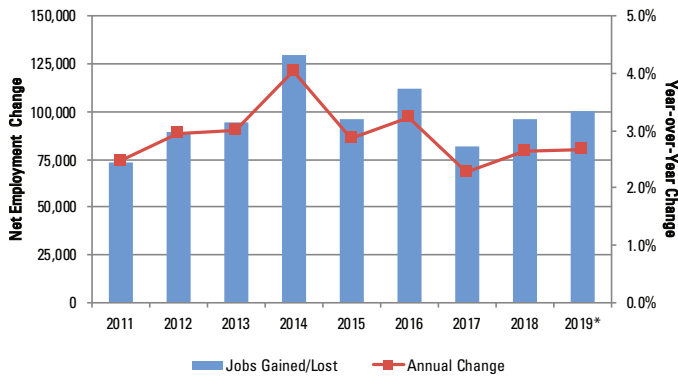
## Looking Ahead

The Dallas-Fort Worth economy and local population are continuing to expand, supporting the local multifamily market, which is expected to have another strong year in 2019. Robust employment growth across a wide range of industries will continue to fuel renter demand for apartments, spur development, and support rent increases.

The vacancy rate is not expected to push any higher than the current rate, and the figure could even inch a bit lower if local employment gains accelerate as they have at the start of 2019. Preliminary indications show that renter demand got off to a strong start in the second quarter, with absorption ahead of the 2018 pace by more than 10 percent. The Dallas area is recording the strongest activity, with Fort Worth posting positive absorption.

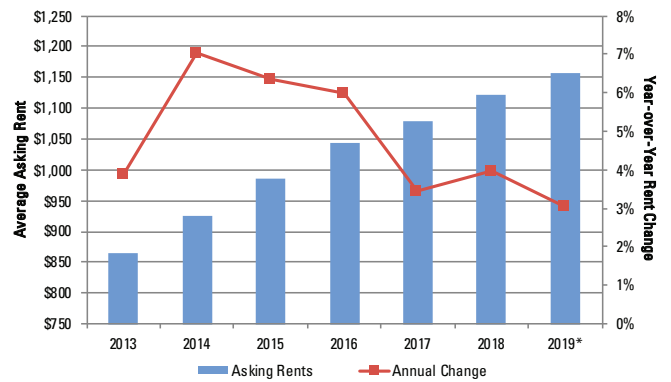
One of the primary forces fueling local employment growth has been the ability to bring employers from other markets. Uber is considering leasing a large office in the Deep Ellum neighborhood, a move that could bring more than 1,000 workers to the area. Another recent example is the PGA of America, which has announced plans to relocate its headquarters from Florida to Frisco. While the relocation is expected to initially only result in 100 new jobs to the area, there are also plans for a hotel, a convention center and other facilities to open at the campus. These moves are expected to support local leisure and hospitality employment in the future.

### Employee Forecast



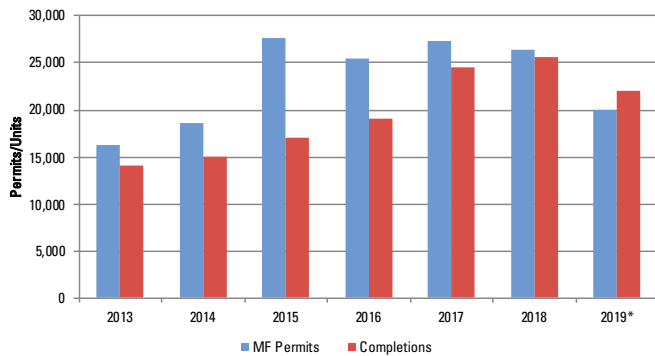
\* Year End Forecast  
Sources: NorthMarq, Bureau of Labor Statistics

### Rent Forecast



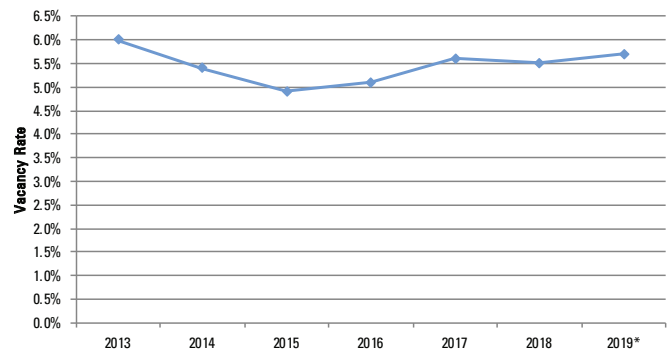
\* Year End Forecast  
Sources: NorthMarq, RealPage/MPF

### Construction & Permitting Forecast



\* Year End Forecast  
Sources: NorthMarq, Census Bureau, RealPage/MPF

### Vacancy Forecast



\* Year End Forecast  
Sources: NorthMarq, RealPage/MPF

## About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of \$13 billion, loan servicing portfolio of more than \$55 billion and the multi-year tenure of our more than 500 people.

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